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SUBJECT: Governor of Washington Meets with Prime Minister, Foreign Minister and other Senior Officials

1. (U) Summary: Governor of Washington Gary Locke and delegation met September 22 with Prime Minister Phan Van Khai and Foreign Minister Nguyen Dy Nien. He also met earlier in the day with Minister of Trade Truong Dinh Duyen, Minister of Planning & Investment Vo Hong Phuc and Vice Minister of Finance Le Thi Bang Tam. The Prime Minister and Foreign Minister warmly welcomed Washington State's strong commercial relationship with Vietnam and expressed hope for the continued expansion of ties in the areas of education, medicine and culture. Both the PM and Foreign Minister described Vietnam's needed for technical and other assistance, and neither took the opportunity to raise the recent dust-up over the designation of Vietnam as a "Country of Particular Concern" in the area of religious freedom. Even the "catfish and shrimp problems" were mentioned more in sorrow than in anger. Press coverage of the visit was broad and positive. End Summary.

Prime Minister Khai

2. (U) Governor of Washington State Gary Locke and delegation met for one hour September 22 with Prime Minister Phan Van Khai. The Ambassador, Commercial Counselor and Pol/C were also present. The Governor opened by noting that Washington was the first U.S. state to send a delegation to Vietnam after U.S.-Vietnam normalization in 1995. He observed that 55 percent of all American exports to Vietnam were from Washington (Note: Boeing aircraft sales are the lion's share of this figure) and that one-third of all jobs in Washington depended directly or indirectly on international trade. Washington State was a strong supporter of WTO accession for Vietnam, and Governor Locke noted that the degree to which Vietnam implemented its bilateral trade agreements with the United States would affect Vietnam's WTO aspirations. He also stressed that his state could help to play a role in the GVN's efforts to modernize and raise the standard of living for its people. The Governor underlined his hope that Washington would not only continue to expand its exports of traditional products such as agricultural goods but also introduce Vietnam to some of the state's other leading-edge areas, such as medical equipment, alternative energy technology and education.

3. (U) PM Khai observed that a stable U.S.-Vietnam relationship was a "requirement in today's world" and expressed his delight at the great progress in bilateral ties since normalization. What remained to be done was to continue to boost further the relationship. Vietnam hoped to develop comprehensively its relations with the United States, and this included investment, medicine, training and education, and culture. Washington State was helping to lead the way in these areas, and the GVN sought to encourage Vietnamese entrepreneurs to do business with enterprises in the United States in general and Washington in particular. Vietnamese businessmen still had limited understanding about "the market, culture and history," and most Vietnamese entrepreneurs would admit that they did not know much about the United States. It was thus necessary to make efforts to "understand each other further," the Prime Minister said.

4. (U) PM Khai noted that Vietnam, as a tropical country, had a great diversity of products that it exported to the United States and Washington. Coffee was a leading export, but Vietnam could still do more because of the product's "high quality." There were "obstacles" to the export of seafood, but this area also had potential because of its low price and high quality. Thanks to modern imported equipment, Vietnam's products were widely accepted, including in the United States. Vietnam hoped that the United States could assist Vietnam with "management knowledge" and believed that U.S. investors were "more efficient" than "regional corporations" and could help to increase Vietnam's efficiency, the PM said.

5. (U) Education cooperation was also very important to Vietnam, and the people of Vietnam greatly appreciated the support from the United States and highly valued the quality of an American education. Vietnam, although poor, had a high literacy rate and a tradition of families working hard and saving to provide for their children's education. PM Khai hoped that Washington State could play a role in U.S.-

Vietnamese education cooperation and expressed the GVN's wish that it could expand the training of its civil servants at American schools. Furthermore, Vietnam hoped to import American hardwood for use in the manufacture of furniture and handicrafts. The GVN had calculated that USD 100 million in wood products exports equaled 10,000 jobs, and this area represented great growth potential for Vietnam. Vietnam's per capita income had been USD 100 20 years ago, but this figure had risen to USD 500. Similarly, Vietnam's GDP had doubled since 1990. Although Vietnam was still poor, and these figures were "small" in comparison to those of the United States, they nonetheless represented a "miracle" to the Vietnamese. The GVN hoped to enrich the people of Vietnam, maintain a "diversity of foreign relations" and always improve the environment for further foreign direct investment. Although Vietnam greatly relied on FDI, domestic investment was continuing to increase, indicating that the Vietnamese people were "learning how to do business," PM Khai said.

Foreign Minister Nien

16. (U) During his earlier meeting with Foreign Minister Nguyen Dy Nien, the Governor struck the same notes regarding Washington State's relationship with Vietnam. FM Nien expressed his gratitude for Washington State's support for Vietnam's WTO accession. U.S. support was key, and the GVN sought stable relations with the United States. The people of the United States and Vietnam needed to understand each other more. The two countries had a "painful history," one that could have been avoided if they understood each other like today, Nien said.

17. (U) Vietnam had made much economic progress, the Foreign Minister continued, but problems remained, particularly in remote and mountainous areas. Vietnam needed U.S. assistance to increase its people's standard of living and promote education, health care and culture. Vietnam had to reform its legal system to make its investment environment more attractive. There had been some progress, but further steps were needed. Vietnam had an advantage in its low labor costs and skillful work force, but still needed technical assistance. During the recent U.S.-ASEAN Business Council meeting in Hanoi, the American investors represented there said that Vietnam was "not yet attractive" as an investment. Although the United States was Vietnam's biggest export market -- trade had increased from USD 60 million in 1995 to USD 6 billion in 2004 -- U.S. FDI in Vietnam was still low. The two countries had problems over shrimp and catfish, but Vietnam was "still learning" about how to do business and needed U.S. support to increase its competitiveness, FM Nien acknowledged.

18. (U) Vietnam hoped to send more students to the United States, and FM Nien welcomed the Governor's idea about bringing American university programs and professors to Vietnam to increase the opportunities for Vietnamese young people to have access to an American education. The Foreign Minister also praised American health care and medical advances and expressed his hope that Washington State could expand technical and cultural exchanges with Vietnam.

Press

19. (U) The Governor's visit received wide coverage, including ten articles and an interview in major and popular dailies. Coverage in HCMC was also broad and positive and emphasized the importance of bilateral trade ties. None of the stories raised anti-dumping issues or CPC designation.

Comment

110. (U) The Governor and his delegation were well received by the Prime Minister and Foreign Minister. As in the Governor's other meetings with senior officials, the atmosphere during both of these calls was very warm and cordial. Neither PM Khai nor FM Nien hesitated to describe the deficiencies of Vietnam's economy, and both interlocutors underlined Vietnam's need for a stable relationship with and the continued assistance of the United States. Significantly, the Prime Minister and Foreign Minister avoided discussion of the recent dust-up over the designation of Vietnam as a "Country of Particular Concern" in the area of religious freedom, and even the mention of the "shrimp and catfish problems" was more in sorrow than in anger.

MARINE